

REGULATION

Appointing Authority Letter Reference: CS-6940	Effective Date: March 18, 2001	Index Reference: Information Technology Pilot Program	Regulation Number: 5.17
Issuing Bureau: Human Resource Services	Rule Reference: Rule 5-3 (Compensation Schedules)		Replaces: Compensation Procedure 18 (October 1, 1999)
Subject: INFORMATION TECHNOLOGY PILOT PERFORMANCE/COMPETENCY PAY AND BONUS PROGRAM			

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1. **PURPOSE**

This regulation establishes the standards and procedures for the Information Technology Performance/Competency Pilot Pay and Bonus Program. The pilot performance/competency pay program is designed to establish and maintain an appropriate relationship between performance/competency and pay. Eligibility for a performance/competency pay award is based on the evaluation of the performance/competency of an individual, a team of eligible individuals, or an entire agency, in conjunction with the individual's placement in the salary range and the agency's ability to pay. A performance/competency pay award may take the form of a base salary increase, a lump sum award, or a combination of both, in accordance with standards of this rule. The pilot bonus program is designed to

attract new employees through a signing bonus and retain select employees through a mission critical skills bonus.

2. **CIVIL SERVICE RULE REFERENCE**

Rule 5-3 Compensation Schedules

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5-3.2 Departmental Salary-range Subdivisions — *An appointing authority, with the prior written approval of the state personnel director, may implement departmental salary-range subdivisions within a salary range. A salary-range subdivision must fall within the range of rates of compensation approved by the civil service commission for the classification. The salary-range subdivision must be based on relevant, job-related departmental considerations, such as job complexity, level of responsibility, market conditions, or reporting relationships. The appointing authority shall publish all approved salary-range subdivisions for its affected employees.*

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Rule 5-3.4 Operation of Compensation Schedules — *An employee in the classified service cannot be paid less than the minimum nor more than the maximum authorized in the compensation plan, unless authorized by the state personnel director.*

* * *

(c) Performance-pay programs.

(1) Salary range. *For each class of positions in a performance-pay program, the civil service commission shall approve a salary range that includes (1) a minimum point, (2) one or more control points, and (3) a maximum point.*

(A) Minimum point. *The minimum point is the lowest base salary payable to an employee in the classification.*

(B) Control point. *The control point is the highest base salary payable to an employee in the classification.*

- (C) **Maximum point.** *The maximum point is the maximum total salary, including both base salary and any lump sum awards, payable to an employee in the classification during a fiscal year.*
- (2) **Performance-pay awards.** *If an employee's position is included in a performance-pay program, the appointing authority, with the approval of the state personnel director, may award the employee an increase in base salary or a lump sum award, or both, in accordance with the compensation plan. If the employee's job performance is rated less than satisfactory, the appointing authority may reduce the employee's base salary in accordance with the compensation plan. The director may set limits on the amount of performance pay that may be awarded in a fiscal year.*
- (3) **Grievances regarding performance-pay programs.** *Performance-pay awards are discretionary. An employee is not authorized to appeal a final performance-pay grievance determination unless an appeal is specifically permitted in this rule or the applicable regulations.*
- (A) **Grievance and appeal permitted.** *An employee aggrieved by any of the following performance-pay actions may file a grievance and appeal the final determination of the appointing authority to the department of civil service:*
- (1) *The employee receives a performance rating recognized by the department of civil service as less than satisfactory.*
 - (2) *The employee's pay is reduced.*
 - (3) *The appointing authority does not rate the performance of the employee at least once annually.*
 - (4) *The performance-pay action is alleged to violate rule 1-8 [Prohibited Discrimination] or rule 2-10 [Whistleblower Protection].*

(B) *Grievance appeal prohibited.* *In all other cases, an appointing authority is permitted, but not required, to authorize an employee aggrieved by a performance-pay action to file a grievance within the department's grievance procedure. However, unless expressly authorized in subsection (c)(3)(A), the employee cannot appeal a final performance-pay grievance determination of the appointing authority to the department of civil service. By way of example only, the following performance-pay actions cannot be appealed to the department of civil service:*

- (1) The amount of a performance-pay award.*
- (2) The failure to be awarded a performance-pay award.*
- (3) The distribution of a performance-pay award between a base salary adjustment and a lump sum award.*
- (4) A performance evaluation rating recognized by the department of civil service as satisfactory.*
- (5) The performance evaluation or performance-pay award of another employee.*
- (6) The decision to include a position into, or exclude a position from, a performance-pay program.*
- (7) The performance-pay program itself, including, for example, the performance standards, departmental evaluation methods, rating categories, and departmental salary-range subdivisions.*

- (d) ***Conversion of performance-pay schedule to step schedule.*** *If a classification is converted from a performance-pay schedule to a schedule with steps, an employee whose position is converted must be placed at a step at least equal to the employee's base salary under the performance-pay plan at the time of conversion in accordance with the regulations.*

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5-3.9 Approval and Disapproval of Disbursements for the Classified Payroll — *The state personnel director shall certify each payroll for the classified service. Payroll certification is based on computerized payroll system edits of payroll calculations and personnel transactions and the audit of personnel transactions for compliance with civil service rules and regulations. The director shall establish edit requirements and audit procedures. The director may delete from the payroll any item that cannot be certified under this rule and shall give notice of the action, together with the reason for the action, to the appointing authority concerned.*

3. STANDARDS

- A. Scope** — The Civil Service Commission has established a pilot performance/competency pay and bonus program for employees in designated information technology classifications. The performance/competency pay and bonus program consists of base salary and performance incentives to be administered within established pay ranges and special pay bonus guidelines, in accordance with regulations approved by the state personnel director.
- B. Salary Range** — The Civil Service Commission fixes the range of rates of compensation for all classification levels.
- 1. Classification Ranges** — The Civil Service Commission for each classification level in a performance-pay program, fixes a salary range that consists of (1) a minimum point, (2) a control point, and (3) a maximum point.

2. **Departmental Salary-Range Subdivisions** — As authorized in rule 5-3.2, an appointing authority may establish one or more salary-range subdivisions within a class salary-range established by the commission. Each salary-range subdivision must have a subdivision control point (base-pay ceiling) that is less than the control point of the class. An appointing authority may propose a salary-range subdivision to the department of civil service. The Department of Civil Service reviews the proposal and approves or denies the request. If the Department of Civil Service approves a salary-range subdivision, the appointing authority must give notice of the subdivision to each employee whose position is subject to the limits of the subdivision.

- C. **Performance/Competency Pay** — The appointing authority may grant a performance/competency pay award in accord with the standards of this regulation. A performance/competency pay award may consist of a base salary increase, a lump sum award, or a combination of the two.

1. **Base Salary Increase** — An employee may receive an increase in base salary up to the lower of (1) the control point for the class or (2) if the employee's position is subject to an approved salary-range subdivision, any applicable base-pay ceiling.
2. **Lump Sum Award** — An employee may receive a lump sum award not to exceed the difference between the control point and the maximum point. If the employee's base salary is below the control point or any applicable base pay ceiling, the employee may receive both a lump sum award and an increase in base salary. If the employee's base salary is at the control point or any applicable base pay ceiling, a performance award must be granted in a lump sum only.
3. **Other Performance/Competency Pay Conditions**
 - a. The total base salary and lump sum awards received by an employee in any fiscal year cannot exceed the maximum point of the salary-range.
 - b. The minimum point of the salary-range is the lowest base-pay salary for an individual appointed or converted into a designated classification in the performance/competency program.

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- c. An employee's base salary must not exceed the lower of (1) the control point or (2) if the employee's position is subject to an approved salary-range subdivision, any applicable base pay ceiling.
- d. The total lump sum award received by an employee in any one fiscal year must not exceed the amount of the difference between the control point and the maximum point.
- e. An employee must receive a performance rating of at least "fully competent" before receiving any performance/competency pay award.
- f. The total performance/competency pay award and mission critical skills bonus during any one fiscal year may vary up to **15 percent**.
- g. If an employee receives a performance rating lower than "fully competent," the employee's base salary may be reduced. The employee's base salary may be reduced up to **15 percent** of the base salary in any one fiscal year. The employee is not eligible for any general base pay increase or performance-pay award until the employee receives a subsequent rating of at least "fully competent."
- h. An employee who receives a signing bonus is not eligible for a mission critical skills bonus in the same fiscal year.
- i. Appointing authorities cannot award bonuses or base pay increases to employees upon lateral job change between departments within the same classification, unless an exception approval has been granted by the Department of Civil Service.
- j. **Approval Required** — Each initial rate of pay and each subsequent performance/competency pay action for employees in the designated information technology classes requires prior review and approval by the state personnel director.

- (1) **Request for Approval of Appointment Pay Rates and Signing Bonuses** — The appointing authority must submit a request for pay approval to the Department of Civil Service via the automated web-based approval process for all appointments, lateral job changes, and signing bonus payments to all affected information technology positions, certifying that a performance management plan is in place for the employee. Requests must be submitted before the close of the pay period in which the appointment is effective.
 - (2) **Request for Approval of Performance/Competency Pay and Mission Critical Skills Bonuses** — The appointing authority must submit a request for pay approval to the Department of Civil Service via the automated web-based approval process for all performance/competency base salary and lump sum awards and mission critical skills bonuses. Requests for performance/competency awards must be submitted within seven pay periods of the effective date of the performance evaluation.
 - (3) **Approval of Pay Upon Appointment and Performance-pay** — The Department of Civil Service shall issue approval or disapproval actions on properly documented appointment pay approval requests within 5 workdays of receipt and on performance-pay approval requests within 10 workdays. Special extenuating circumstances may provide a basis of approval of retroactivity beyond seven pay periods.
- D. Performance/Competency Evaluations** — The appointing authority must evaluate and rate each employee in the performance/competency pilot program at least once annually. The appointing authority must report each performance evaluation to the state personnel director in the manner prescribed by the director to permit comparison across departments.

E. Salary Upon New Hire or Promotion — Upon new hire or promotion into a Group 2 (NERE) or Group 3 classification of the Equitable Classification Plan, the base salary rate must not exceed the midpoint between the base salary rate received prior to the hire or the promotion and the fixed control point of the range. If a salary-range subdivision applies, the base salary rate must not exceed the ceiling of the subdivision. The first salary review may be given at the six-month period. The state personnel director may authorize a higher starting rate upon application by the appointing authority. An appointing authority may authorize a higher rate without prior approval if any of the following apply:

1. There is difficulty in recruiting for the particular position.
2. The prospective employee is currently employed outside the classified service and a salary in excess of the midpoint formula is necessary to attract the prospective employee.
3. The prospective employee has special experience and/or education. The background should be well beyond the minimum qualifications contained in the specification for classification of the position.
4. The prospective employee is currently a state employee, or has been previously, and has experience pertinent to the position.

Note: The appointing authority must document the reason for the higher starting rate when one of the above conditions applies. The documentation must be retained for audit purposes.

F. General Salary Increases — The general pay adjustment is based on the employee's base salary on the effective date of the general pay adjustment.

G. Signing Bonus — To enhance the recruitment of eligible Information Technology employees who possess skills that are in high market demand, a one-time amount of up to \$5,000 may be paid with the approval of the Department of Civil Service. Current classified information technology employees are not eligible for the bonus.

Payment Conditions: The signing bonus is a lump sum awarded during the first week of hire with the employing agency and paid as a gross pay adjustment on the first paycheck. To receive the bonus, the employee must sign a statement that the employee agrees to pay back the entire bonus to the state, including tax withholdings thereon, if the employee leaves state service or goes to another state agency within one year of the initial employment. Pay-back remittances are owed and payable in full in the form of certified checks or money orders to the agency within 30 days of the termination date with the agency and are processed by the agency as overpayments.

This standard is applicable only for hard-to-fill positions when necessary to secure a commitment from a highly qualified candidate. The appointing authority must retain documentation regarding the salary necessary to attract, subject to Department of Civil Service audit.

- H. Mission Critical Skills Bonus** — To enhance the retention of information technology employees whose skills are needed in a mission critical area as determined by each department and specifically designated in the employee's job description as comprising at least 50 percent of the work, a lump sum amount of up to 10 percent of annual base pay may be paid per fiscal year, with the approval of the Department of Civil Service.

Payment Conditions: The mission critical skills bonus may be paid initially to existing information technology employees, then annually at the time of employee evaluation. It is paid as a lump sum up to the maximum of 10 percent of annual base salary. To receive the bonus, the employee must sign a statement that the employee agrees to pay back the entire bonus to the state, including tax withholdings thereon, if the employee leaves state service or goes to another state agency within one year of the effective date of the bonus. Pay-back remittances are owed and payable in full in the form of certified checks or money orders to the agency within 30 days of the termination date with the agency and will be processed by the agency as overpayments. The combined total of the mission critical skills bonus and any performance/competency pay award is limited to 15 percent per fiscal year. The bonus cannot be carried over to other agencies within the same year if the employee leaves the hiring agency for another state agency. The employee is eligible for a mission critical skills bonus after a year with the new agency.

- I. Expiration** — The provisions contained in this regulation expire September 21, 2001, unless extended by action of the Civil Service Commission.

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- J. Salary Upon Conversion from Performance-Pay Schedule to Step Schedule** — If the state personnel director approves the conversion of an entire class or part of a class from a performance-pay schedule to a schedule with steps, the employee is placed at a pay step at least equal to the employee's base salary under the performance-pay plan at the time of conversion. The employee's hours since last step are set to reflect the number of hours in pay status since the effective date of the last performance evaluation, which must be less than 2,080 hours. If the employee served less than 2,080 hours in the position and has not received a performance evaluation, the hours since last step are set to reflect the number of hours in pay status in the position.
- K. Exceptions** — Exceptions to the standards contained in this regulation may be approved by the state personnel director.

CONTACT

Questions regarding this regulation should be directed to the Department of Civil Service, P.O. Box 30002, 400 South Pine Street, Lansing, Michigan 48909, (517) 335-7862 or (517) 373-7618, or MDCS-BHRS@state.mi.us.

NOTE: Regulations are issued by the State Personnel Director under authority granted in the State of Michigan *Constitution* and the *Michigan Civil Service Commission Rules*. Regulations that implement Commission Rules are subordinate to those Rules.